



Alternatives to Cost Shifting: Managing Cost through Improving Plan Value

A Presentation to
Task Force on Employee Wellness
And Consolidation of Agency Group
Insurance

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September 2011



Public Employers Facing Even Greater Crisis for Funding Employee Benefits

- Declining revenues
 - 60% of counties with population of 100,000+ expect decline in revenue this year (2010 Survey of Local Governments)
- Aging, longer tenured workforce (2006 Census, BLS)
 - 63.5% of public employees over 40 vs. 48% in private sector
 - 7.2 years in public sector vs. 4.0 years in private sector
- Health services cost inflation at 3 times CPI
 - Projected at 8-12% annually for the next ten years according to US Business Round Table, 2009
- Speed of medical advancement
 - 25+ new medications approved by FDA annually



Ineffective Responses to Crisis

- Change is difficult so do nothing
 - Problem: Cost is unsustainable over the short and long term
- Wait for the federal government to take action
 - Problem: Nothing in the proposed reform law will have a dramatic impact on cost
- Eliminate or reduce benefits
 - Problem: Virtually 100% of counties offer health benefits to employees. Reductions in benefit often shift costs from one area to another.
- Cost shifting to employee
 - Problem: Temporary band aid, if any. Employee morale suffers. Reduces access to needed care for sickest, lowest paid employees.



Better Option -Improving Plan Value through Risk Managed Health Care

- Plan Value = Health outcomes/Cost
- Risk managed health care applies sound financial and clinical risk management principles to the delivery of health services throughout the continuum of care.



Risk Management Principles for High Value Plans

1. Procure best-in-class, most cost effective vendors for administrative, prescription drug, medical, reinsurance services and employee assistance services with contracted performance guarantees.
2. Ensure the value of care delivered by incorporating the best practices in high value benefit design, alignment of services, care coordination, measurement of outcomes and quality and aggressive member education regarding appropriate use of services.
3. Reduce near-term and future demand for medical care through an engaging population health management program that rewards member accountability for behaviors that keep members healthy and promotes the appropriate use of services.




Risk Management Principle 1. Procurement Practices

- Where it makes sense, unbundle and require transparency in bidding and contracting.
- Consider raising your specific stop loss deductible for CareFirst.
- UHC admin fees were higher than market average.
- Implement fully transparent, pass through pricing PBM model.
- Review and implement joint purchasing for services where it makes sense.
- Consider future use of on-site medical clinics.



Risk Management Principle 2. High Value Benefit Design

- Partnership between employers and collective bargaining units can successfully work with consultants and vendors to create benefit designs that encourage members to utilize lower cost, clinically equivalent medical and prescription drug treatments.
- Implement an aggressive member education effort to inform members on how to counteract the impact of DTC advertising and the overuse of diagnostic tests and over prescribing of dangerous and unnecessary drugs that are common in medical care today.
- Implement a measurement strategy that enables the discovery of drivers of preventable health costs.
- Benefits design changes are subject to collective bargaining for represented groups in Montgomery County.



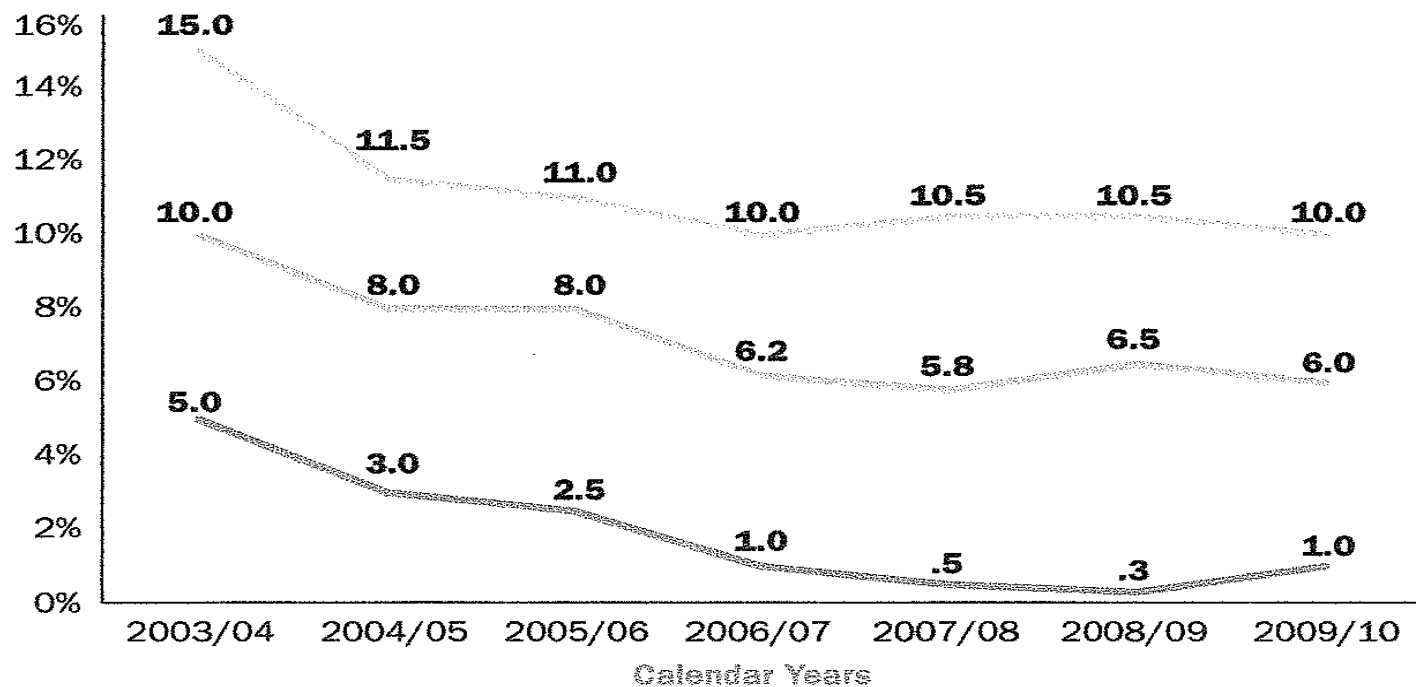
Risk Management Principle 3. Population Health Management

- Implement a population health management program to reduce future lifestyle related risk and better coordinate care.

High Value Performance

Figure 10. Median trends for high, average and low performers

Two-year average trend



—— High performers

- - - Average performers

..... Low performers

Note: Two-year average trends for medical and drug claims for active employees, net of employee premium contributions



Case Studies

- New York City Transit Authority saves 10% of its prescription drug cost through requiring pass through, point of sale application of rebates in transparent model.
- Ten Cities Diabetes Initiative showed a saving of more than \$1000 annually per enrollee using Value Based Insurance Design
- City of Glendale, AZ, over 10 + years experienced a flat employee benefit cost (36% vs. 169% increase) for all regional public sector employers using health on site health promotion strategy.
- HEREIU experienced a drop in trend from 14.5 % to < 4.5% using a combination of VBID and health promotion.
- ICUBA achieved \$15M turnaround in reserves through redesign of benefit options.



Keys to Success

- Leadership support
- Active management
- Communications with employees
- Effective engagement strategies
- Clear goals and metrics for measuring program effectiveness (3-5 year process)
- Internal or third party resources with knowledge of and experience with best practices.